

STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re: MVP Health Insurance Company)
2016 Agriservices Rate Filing)
)
SERFF No. MVHP-130236588)

GMCB-12-15-rr

HCA MEMORANDUM IN LIEU OF HEARING

I. Introduction

MVP Health Insurance Company's (MVP's) 2016 Agriservices Rate Filing was submitted to the Green Mountain Care Board (the Board) on September 9, 2015. On November 2, 2015, MVP submitted new estimates of the rates increases for the plans included in the filing to the Board. The Board determined that its actuaries could not complete the analysis of the filing within the statutory time frame of 60 days and extended the period for review by 30 days. In its most recent revisions to the filing, MVP is proposing an average annual increase of 27.4 % over 2014 premiums.

Agriservices is an association comprised of two divisions, Dairymen and Agriservices Association, with five health plan options. MVP and Agriservices have a minimum premium contract arrangement. The increase in proposed rates ranges from 16.8% to 40.7%. The filing covers an estimated 1220 members. Agriservices is offering renewals for a period of one year with a December 1, 2015 effective date.

On November 2, 2015, the Department of Financial Regulation (DFR) submitted its review of MVP's financial solvency for this filing. On November 25, 2015, Lewis and Ellis (L&E), the contracted actuaries for the Board, presented their Actuarial Opinion.

The Office of the Health Care Advocate (HCA) entered an appearance in this matter pursuant to GMCB Rule 2.000 §§2.105(b) and 2.303 on September 11, 2015. The parties have agreed to waive the hearing for the filing.

II. Standard of Review

Health insurance organizations operating in Vermont must obtain approval from the Green Mountain Care Board before implementing health insurance rates. 8 V.S.A. §4062(a); 8 V.S.A. §5104(a). The Green Mountain Care Board has the power to approve, modify, or disapprove requests for health insurance rates. 18 V.S.A. §9375(b)(6); 8 V.S.A. §4062(a). The burden falls on the insurer proposing a rate change to justify the requested rate.

GMCB Rule 2.104(c).

When “deciding whether to approve, modify, or disapprove each rate request, the Board shall determine whether the requested rate is affordable, promotes quality care, promotes access to health care, protects insurer solvency, is not unjust, unfair, inequitable, misleading, or contrary to law, and is not excessive, inadequate, or unfairly discriminatory.” GMCB Rule 2.000 §2.301(b); GMCB Rule 2.000 §2.401; 8 V.S.A. §4062(a)(3). In addition, the Board shall take into consideration the requirements of the underlying statutes; changes in health care delivery; changes in payment methods and amounts; DFR’s Solvency Analysis; and other issues at the discretion of the Board. GMCB Rule 2.000 §2.401; 18 V.S.A. §9375(b)(6). Further, the Board “shall consider any comments received on a rate filing and may use them to identify issues.” GMCB Rule 2.000 §2.201(d).

In addition, the Board may “make reasonable supplemental orders and may attach reasonable conditions and limitations to such orders as the Board finds, on the basis of competent and substantial evidence, necessary to ensure that benefits and services are provided at

reasonable cost under efficient and economical management of the organization.” 8 V.S.A. §5104(b).

III. Actuarial and Solvency Opinions

L & E has reviewed the filing and determined that the rates requested after two small modifications are not excessive, inadequate or unfairly discriminatory. L & E Opinion at page 8. The actuarial opinion explains that the “substantial rate increase is driven primarily by actual trends far exceeding expectations.” Id. at page 2. L & E recommends that the single conversion factor and demographic factor should be based on June 2015 enrollment distribution and that the allowed cost trends should be weighted by medical and pharmacy claims experience. These changes would reduce the rate increase from 27.4% to 25.9%. Id at page 8.

The DFR solvency opinion found that “the rate as proposed will have the impact of sustaining the current level of solvency of MVPHIC.” DFR opinion at page 1. DFR notes that due to the small percentage of the MVP Holding Company’s business in Vermont “MVPHIC’s Vermont operations pose little risk to its solvency.” Id at page 2.

IV. Analysis

The L & E analysis of this rate filing does not include any discussion of some of the important factors considered by the Board in deciding whether to accept, modify or reject proposed rates, i.e. whether those rates will be affordable, promote quality care and promote access to health care. These criteria were first incorporated into the rate review process as part of Act 48, An act relating to a universal and unified health system, of the 2011-2012 legislative session.

Agriservices has for two consecutive years represented to the Board that there would be no future filings for the association. In the Board's decision for the 2015 Agriservices filing, the Board expressed concern about the size of the proposed rate increase¹ but concluded:

We therefore approve this filing with the recognition that Agriservices members may choose to renew their coverage for another year notwithstanding the rate increase, and with the understanding that this is our last review of an Agriservices filing. It is also our understanding that Agriservices must notify its members that their plans will no longer be available once this coverage period has ended. GMCB 19-14rr, Decision at page 6. *See also* GMCB 028-13rr, Decision.

When asked why Agriservices had nonetheless decided to continued the coverage for another year and filed for a significant rate increase for 2016, MVP responded

MVP last year requested approval to renew the AgriServices health insurance program for its members in Vermont. At that time, AgriServices informed MVP that the program continued to provide a valuable, cost effective option for its insured members, and therefore members should continue to have the option of renewing coverage if they decided it was the best option for them. The Green Mountain Care Board approved the renewal and rates. With the availability of subsidies in the Vermont marketplace, AgriServices informed MVPHIC that it expected to see enrollments shifting to the Vermont Exchange over this past year. That turned out not to be the case. As of June 2015, the retention rate in this program was at 96.7% (over 700 contracts with 1400 members). Based on this, AgriServices determined it as in its members' best interest to again renew the program to extend this coverage option to them for another year

Agriservices has also indicated that it will consider continuing the association filing for the next plan year “[i]f an extension is permitted by law and Agriservices determines it is in members’ interests.” October 19, 2015 response to L & E interrogatories, SERFF filing at page 65.

MVP relies on a March 5, 2014 CMS bulletin for the authority to continue to offer the Agriservices product: “The renewal of existing coverage is permitted under federal law by the CMS bulletin issued on March 5, 2014. <http://www.cms.gov/CCIIO/Resources/Regulations-and-Guidance/Downloads/transition-to-compliant-policies-03-06-2015.pdf>.” Id. at page 66. This

¹ The aggregate proposed rate increase for the 2015 filing was 16.0%

bulletin provides for renewals of policies through October 1, 2016 but would not provide for an extension for the December 1, 2016 to November 30, 2017 period.

The proposed average rate increase of 27.4% is far above the 10% rate increase threshold which requires a review for reasonableness under the Patient Protection and Affordable Care Act of 2010, and the requested increase will be extremely difficult for Vermonters to afford. The increase far exceeds the average national increase in other costs for the past year. According to the Consumer Price Index, the cost of all items rose only .2 % in the 12 month period ending October 2015. Consumer Price Index. *Economic News Release*. November 17, 2015.

<http://www.bls.gov/news.release/cpi.nr0.htm>. Vermont per capita personal income grew only 3.5 % between 2014 and 2015. Department of Labor, Economic & Labor Market Information, Per Capita Personal Income, Vermont and the United States. November 3, 2015.

<http://www.vtlmi.info/pcpivt.htm>

Disapproving or modifying the proposed increase for this filing will make the rate more affordable which will in turn promote access to health care. The HCA asks the Board to disapprove the proposed increase because it is so large and unaffordable.

In the alternative, the HCA asks that the Board modify the requested rate to make it as affordable as possible. At a minimum, the requested increase should be reduced by the amount recommended by L & E. The HCA also asks the Board to reduce the requested 1% Contribution to Surplus to 0% due to the extremely high rate increase request. The Board found a 0% CTR to be appropriate for MVP's Health Plan's 2016 Vermont Exchange Products. GMCB 7-15-rr. This filing represents a much smaller part of MVP Holding Company's business.

The HCA also requests that the Board order as it has in past Agriservices decisions that Agriservices notify members on their billing statements of any charges that are in addition to

those reviewed and approved by the Board and that it inform members when it determines that their plans will no longer be available so that they can obtain different coverage.

V. Conclusion

For all of the reasons set forth in this Memorandum, the HCA asks the Board to disapprove the requested rate increase to provide policy holders with the most affordable rates possible. In the alternative, we ask the Board to modify the rate increase.

Dated at Montpelier, Vermont this 8th day of December, 2015.

s/ Lila Richardson

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CERTIFICATE OF SERVICE

I, Lila Richardson, hereby certify that I have served the above Memorandum on Michael N. Donofrio, General Counsel to the Green Mountain Care Board, Judith Henkin, Health Policy Director of the Green Mountain Care Board, and Susan Gretkowski, representative of MVP Health Insurance Company, by electronic mail, return receipt requested, this 8th day of December, 2015.

s/ Lila Richardson

Lila Richardson
Staff Attorney
Office of the Health Care Advocate